

Info Sheet

How Progressive Taxes Affect Different Income Levels

Theme 3: Fairness in Taxes
Lesson 3: Progressive Taxes

Progressive taxes have two main effects on taxpayers. First, people with higher incomes pay larger amounts because their taxable income is larger. Second, because the tax rate increases as taxable income increases, higher-income people pay a greater proportion of their income in taxes as well.

Here are three progressive taxes in the fictional country of Progressia.

PERSONAL INCOME TAX IN PROGRESSIA		
Income	Percentage of Income	Tax Amount
\$10,000	15%	\$1,500
\$50,000	28%	\$14,000
\$100,000	31%	\$31,000

INHERITANCE TAX IN PROGRESSIA		
Amount Inherited	Tax Rate	Amount Paid in Taxes on the Inheritance
\$10,000	0%	\$0
\$20,000	20%	\$4,000
\$50,000	25%	\$12,500
\$100,000	30%	\$30,000
\$200,000	35%	\$70,000
\$1,000,000	40%	\$400,000
\$3,000,000	55%	\$1,650,000
\$4,000,000	55%	\$2,200,000

CORPORATION TAXES IN PROGRESSIA		
Business's Profits	Tax Rate	Amount Paid in Taxes
\$1,000,000	10%	\$100,000
\$5,000,000	20%	\$1,000,000
\$10,000,000	30%	\$3,000,000